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Pendel, Thomas

National state banks

[S.l.]

[1895?]

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MASTER NEGATIVE #

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▸   6  100 1  Pendel, Tho. ǂq (Thomas) ¶
▸   7  245 10 National state banks ǂh [microform]. ¶
▸   8  260    [S.l. : ǂb s.n., ǂc 1895?] ¶
▸   9  500    Ms. signature: Tho. Pendel. ¶
▸  10  500    "National state banks. At a meeting of citizens of Sullivan
County, town of Delaware ... " tipped in (1 sheet ; 23 x 8 cm.) ¶
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NATIONAL STATE BANKS.

BANKING AND CURRENCY.

The inadequate banking accommodations existing in the United States with which to handle the enormous products and business of the country has become apparent, and the financial conditions have forced the question of banking and currency into the most prominent position in American politics to-day. It will remain in the foreground until a more liberal and extensive banking system with ample currency is provided.

In order that the public mind may comprehend the difference between the science of banking and ordinary financeering I propose to give a short history of events and legislation since the war which have led up to our present entangled financial condition. The only banking system in existence in our country at the breaking out of the war in 1861 was that known as the State Banking system, over which the National government had no control, and in some of the states they received but little supervision from the State government. None of the country bank notes passed at par in the cities unless a deposit was made at a city bank to provide for their redemption, and as each bank issued their own notes of some six or eight denominations, counterfeits became numerous and were not easily detected owing to the fact that each bank's notes were engraved in a style of its own and also to the fact that ample clearing house facilities were not provided by the system. By an act of Congress March 3d, 1865, imposing a tax of 10 per cent. upon the issue of these banks every bank of issue throughout the United States was taxed out of existence, and no other banking accommadations except the national banks has ever been provided in their stead. The establishment of our national banking system and the placing of the prohibitory tax of 10 per cent. on the state banks were both distinctively war measures because the 10 per cent. tax would drive the State banks out of existence and force the establishment of national banks, thus providing a market for U. S. bonds issued in payment of war debts, which bonds were at that time bringing but 64 cents on the dollar and practically going begging at that figure. Thus it will be distinctly seen that the legislation leading to the establish-

ment of our present system of banking and currency was enacted to counteract an emergency, to tide the government over its difficulties and the workings of the system have conclusively proven that it is not established on principles which govern the science of banking in any sense, nor is it constructed on the American principle embodied in the constitution, "The greatest good to the greatest number," but on the contrary it has placed the control of our industrial resources in the hands of the wealthy few, and thus to make use of a familiar phrase the rich have become richer and the poor poorer under its workings.

Notwithstanding the fact that the national banks were established under these conditions they became popular because they furnished a uniform note throughout the United States, the payment of which was guaranteed by the government. They were permitted to issue notes up to 90 per cent of the U. S. bonds they deposited with the government. At that time the bonded indebtedness of the U. S. was $2,670,000,000 two-thirds of which amount has been redeemed, thus reducing the issue of the banks correspondingly and today the amount of these notes in circulation is but $196,000,000. The fallacy of this arrangement is apparent. The note issue like the bond issue is based upon the liability or indebtedness of the country and it consequently contracts as the nation increases in wealth instead of expanding as the simple laws of business would teach us it should. Herein lies the great fault of National Banking system. Our issue of money is based upon the indebtedness of our country instead of upon its wealth, and consequently all attempts to tinker with or patch up the present sytsem will inevitably result in utter failure, because its foundation principle is wrong. In addition to this incongruity the Federal supervision of banks is contrary to the spirit of the constitution, and the concentration of full power under one official head at Washington is in opposition to all laws of economic government and business arrangements.

At the recent bankers convention at Baltimore resolutions were offered and accepted which provide for an increase in the national bank note by recommending that congress pass a law permitting the National banks to issue notes to the amount of one-half of their paid up unimpaired capital, and emergency notes to an additional

NATIONAL STATE BANKS.

At a meeting of citizens of Sullivan County, Town of Delaware, State of New York, held in the parlor of the Globe Hotel at Callicoon Depot, N. Y., on the 11th day of March, 1895, it was unanimously

RESOLVED, That in the sense of this meeting, the question of relative values between gold and silver, has an international bias, and therefore is not within our immediate control;

That the Act of Congress, March 3rd, 1865, imposing a tax of ten per cent. upon the issue of all state banking institutions, is arbitrary and unjust;

That a bank is a necessary institution, and a part of the business framework of every industrial community;

That no legislation should prevent, but that all legislations should promote the science of banking, at an even pace with all manufacturing art and social improvements.

That the present condition of the currency has worked and is still working untold and incalculable injury to our debit and laboring classes.

That this meeting, after carefully reviewing the proposed system of National State Banks, does hereby fully endorse the same, and does heartily recommend it to the consideration of our fellow citizens throughout the United States, as a practical, and the only true solution of the money problem.

JAS. I. CURTIS, Chairman.
CHAS. F. STARCK, Secretary.

25 per cent. Both resolutions are objectionable. The first from the fact that they ask the people of the United States to endorse and guarantee their paper without depositing security and second with a proper system of banking that would be uniform throughout the country no emergency funds would be necessary from the reason that no panics would occur and money would be obtainable at legal interest which would enable farmers and producers to hold their goods and not be immediately compelled to let them pass into the hands of speculators.

The glaring evils of the present system are patent to every thinking man and the question of banking and currency is of vital importance to every man, woman and child in the country and to their posterity. Systems once adopted are not easily changed and now that a change must be made for the good of the whole country each step should be taken with great care and a system of banking and currency that will in all respects be adequate for our fast increasing population should be established, and it is to be hoped that Congress during the coming session will set party feeling aside, entirely exclude monopolistic influence, without local prejudice, and legislating for the whole people adopt a plan of banking and currency that will give us a safe, secure, uniform and ample currency and sufficient banking accommodations in every section of the Union, that our country may continue to prosper without interruption, that wealth may be more evenly distributed and that we may lead the nations of the world in all that pertains to an advanced civilization.

The system that I would recommend is one proposed by Mr. L. Coates. Mr. Coates has had a life long experience in the banking business and has made banking and currency a study for many years. The system he proposes provides for a uniform note throughout the United States, issued by the National government. the banks to be chartered and supervised by the States and to be known as National State Banks.

The proposed bill provides that the banks shall be joint stock companies, controlled by a board of not less than seven directors; that they shall be chartered by the state in which they are located with a capital stock of not less than $20,000 nor more than $5,000,000. They shall be banks of loan, discount, deposit and issue. That they shall deposit with the state government approved and endorsed collaterals to 110 per

cent of the amount of the notes received. The nature of such securities is defined in the bill.

The state shall obtain the notes from the national government, and shall pledge one-tenth of the taxes on real estate, together with the collaterals so deposited, as security for the due return of such notes, and their redemption at the bank of their issue, in gold or silver bars or coins. The note shall bear the seal of the state to which they are issued, together with the name and locality of the bank. They shall be numbered and dated, and shall be recordered at Washington, at the capital of the state, and at the office of the bank. They shall be signed by the comptroller of the currency, the director of the State Bank Bureau, and the president of the bank, and shall be a legal tender for all debts throughout the United States.

The bill further provides that a clearing house shall be established at Washington and at the capital of each state for the due exchange of such notes, and their return to the banks of issue and that notes which may become mutilated shall be destroyed and new notes issued in their stead.

All taxes are a burden upon the people and that this system of banking and currency may be self-supporting, and further that it may be to the interest of the banks to keep their notes in circulation, the bill provides that the banks pay a tax of one per cent per annum upon all notes received by them, one-half of which will go to the state government and the other half to the National government, and from the funds thus created, the printing of the notes, the supervision of the banks and the expense of the clearing houses are to be provided. From this tax it is estimated that the national government will receive annually over $20,000,000, the state of New York about $1,500,000, and the other states corresponding amounts. In all other respects the banks are to be untaxed, excepting as to the ordinary taxes upon their buildings or other property they may own. The limit placed by this bill to the issue of these notes is one-tenth of the assessed valuation of the real estate in any respective state, throughout the United States, and as unquestionable collaterals to 110 per cent of the amount of the issue is demanded, there can be no inflation of the currency, nor can the currency contract; but it will expand in volume as the wealth of the country increases, founded as it is upon the resources of the nation.

The foundation of this proposed system is so plain that any ordinary business man, in fact any school boy may readily understand it. Mr. Coates has been for eleven years at work, from time to time in its construction. It has been critically reviewed by experienced bankers and tested by expert accountants and is believed by many and by myself, to be a perfect solution of the present problem of banking and currency.

Thos Pendleton

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